Diasporas and Transnational Entrepreneurship in Global Contexts

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Chapter 7
New Perspectives on the Internationalisation of Micro-Businesses

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ABSTRACT

Micro businesses are increasingly playing a significant role in the economic growth of most developed and developing countries. Despite this increasing trend, not much attention has been given to such businesses in the management literature. Policymakers have given little attention to their growth and internationalisations. Consequently, the increasing trend of the micro business internationalisation has also failed to receive deserved attention. The chapter uses qualitative data from two micro businesses in the UK to explicate the reasons and challenges of internationalisation. Findings reveal that reasons and challenges of internationalisation of micro and larger firms may be similar, but resource constraints shape the approaches and scale. In particular, growth and internationalisation of micro firms are often inhibited by the embeddedness of firm-specific knowledge in individuals. Significantly, micro firms with explicit knowledge can exploit international expansion via franchising/licencing, compared with those with tacit knowledge who export.

INTRODUCTION

The literature on small and medium enterprises (SMEs) has seen significant growth in recent years; however, the burgeoning micro enterprise spectrum has received little attention. In much the same way the internationalisation of micro businesses has fallen behind the SME internationalisation literature.

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This is despite the increasing expansion of micro businesses beyond their geographical borders from countries of origin. Indeed globalisation and the advent of the internet have increased the ease with which micro firms could internationalise. Institutions, organisations and authors have often contextualised and defined microbusinesses differently (e.g. EU, 2015; BIS, 2014). Consequently, it is difficult to specify a unified universal definition for a micro business because the definition needs to be framed within the context of a body, an association/institutions, or geography. For instance, in the United Kingdom (UK), an EU's definition is adopted which defines a micro business as a company or organisation with fewer than 10 employees with an annual turnover not exceeding €2 million (EU, 2015). This chapter adopts the EU definition with respect to the number of employees. This is because for micro businesses it is more convenient to adopt a definition that excludes turnover so that policies can be tailored according to the relative number of employees (BIS, 2014). According to the UK's Office of National Statistics (ONS), there were 5.0 million micro-businesses in the UK in 2014, accounting for 96% of all businesses. Although the vast majority of businesses in the UK employ fewer than 10 people, this sort of business accounts for 33% of employment and 19% of turnover (ONS, 2015).

Even though the UK's ONS (2015) data advocates that micro businesses are the job creators, they have not adequately been included in the majority of the discussions within the SME literature and indeed policy instruments targeted at micro business are relatively scarce. Anecdotal evidence suggests that over three million individuals are either self-employed or members of a partnership. Seven hundred thousand businesses employ between one and four people. Micro businesses range from start-ups with both high and low growth potential, to family businesses that have been in operation for many years. These businesses face very different challenges to larger businesses both in their domestic and international markets (Madsen et al, 2000; Knight and Cavusgil, 2004).

The ONS (2015) report further states that typically, the owner-manager is responsible for carrying out the full range of managerial duties and complying with many of the same government policies and regulations that large companies must comply with, while simultaneously managing a small team of people and often undertaking part of the actual work output of the business. Also, these micro businesses do not have the managerial capability and skill base of larger SMEs and as a result face a unique set of challenges. Arguably, larger firms have a range of collective knowledge and skills that serve as the basis of their knowledge. Therefore, if in the case of micro firms, one person needs to be the embodiment of varied skills there is the potential that the individual may not possess the level of skill in a given discipline as one person in a larger firm who has specialised.

Although some entrepreneurs are motivated by the necessity to create such businesses to earn a living because of limited employment opportunities, the ONS (2015) argue that, notwithstanding the challenges these businesses face, they are an important source of new employment and growth in the UK economy. Some micro businesses may start small but often explore and exploit the potential to grow, with growth opportunities sometimes leading to internationalisation. Micro businesses can and often do play a vital role in maintaining the economic viability and social cohesion of many regions in the UK, particularly rural and deprived urban communities. The report also argues that despite both the historic and contemporary importance of micro enterprises to the economic and social well-being, micro businesses are not appropriately and unambiguously defined. As such, and by default, a definition devised by the European Union is often referred to. Unfortunately, in the UK the problem is this definition is not used consistently across all government departments (e.g. European Commission's definition; and BERR's current working definition). The consequence of this lack of consistent definition has been an inability on the part of government to create deliberate policies tailored towards micro businesses. In addition, clear identification of such businesses and the understanding of their needs and how the satisfaction of their needs could enhance national competitiveness often end up being underexplored.

The department of Business, Innovation and Skills (BIS) argue that it is unthinkable that the micro business group has not received the policy attention it deserves, given that it encompasses 96 per cent of all UK businesses, representing approximately 19 per cent of economic activity (BIS, 2014). Such a group is too large in number and share of the economy and too diverse in nature for cohesive policymaking. An organisation with six or eight employees will generally have at least one member of staff appointed in a managerial role. A business with four or fewer employees is still learning with an owner-manager trying to do everything. As argued earlier classifying micro businesses by the number of employees makes it easier for policy makers to design and implement policies and programmes to suit the needs of such firms. This makes support more accessible for micro businesses. It is important that policymaking targets the peculiar needs of micro businesses to ensure that their continued growth and development can support governments in employment creation and general national economic growth. It is also important that the ability of such firms to internationalise is pursued vigorously, given that globalisation has increased the competitive landscape for all firms and even micro firms, whether they want to internationalise or not.

To evaluate relevant perspectives with respect to the internationalisation of micro firms, the objective of this study is to evaluate why and how micro firms internationalise. The rest of the chapter is structured as follows: First, we review relevant internationalisation literature and how the extant literature relates to the activities of micro businesses. Second, we discuss the methodology for the study. Third, we present the findings. Fourth, we discuss the findings and finally, we conclude by discussing the implications and agenda for future research.

Theoretical Framework

Theories such as the stage development theory, network theory and the ‘born global’ theory have been used to describe the internationalisation of small and medium enterprises. These theories also influence micro businesses but the literature has sometimes assumed that the characteristics of micro businesses are closely matched with larger firms. We explore these within the existing literature in this section

The Stage of Development Theory

Internationalisation refers to the process by which a firm increases its involvement in foreign markets (Casillas and Acedo, 2012). The stage of development approach is one way in which firms enter into international markets. The stage of development approach includes the Uppsala (U) and Innovation (I) models jointly referred to as the stage (or chain) model. This model advocates that internationalisation is a stage by stage process signifying that firms explore international opportunities in a sequence of steps (Chetty and Campbell – Hunt, 2004). This model suggests that most firms first develop in their local markets before going international as a result of a series of incremental decisions (Johanson and Vahlne, 1977; Ruzzier et al., 2006). The process occurs sequentially because of the reciprocal relationship between the foreign markets knowledge and the commitment of resources to foreign markets (Johanson & Vahlne, 2001). Stage theories suggest that the internationalisation process is gradual and takes place in different stages where initial exporting activities occur in markets with small psychic distance to the home country (Hermel & Khayat, 2011). Johanson and Valhne (1977) refer to this phenomenon as gradual acquisition, integration and use of knowledge and experience about foreign markets. This results in small firms being able to incrementally develop the internationalisation capabilities as they learn more about new markets. This means that as a firm gains more knowledge about a market, they become more committed and invest more resources into that market. Therefore, by gaining knowledge and experience of the market the uncertainty and risks resulting from the barriers to market entry such as differences in language, culture, and regulations are reduced significantly to create a high potential for success. Therefore, whether firms are small or large, their internationalisation largely needs to be built on the ability to overcome barriers to entry into the new market.

In much the same way, knowledge about running a business both at home and abroad is acquired gradually, therefore, knowledge accumulation is incremental and occurs through a learning process (Ruzzier et al., 2006) with respect to international expansion this learning relates to knowledge about foreign markets and operations (Johanson & Valhne, 1977). The criticism of this model is that it generalises and simplifies the process of internationalisation by depicting the firm's behaviour as a series of steps even though the process is iterative and dynamic (Grispud, 1989; Bell 1995). Whilst most firms could take this approach, the model does not sufficiently incorporate internationalisation strategies such as mergers and acquisitions. It does not also critically consider financial variables such as the cost of doing business abroad and other barriers to entry such as trade barriers by foreign governments (Chetty, 1999). Arguably, the model assumes that some of the knowledge acquired in the domestic business environment can be applied in the foreign market. All things being equal, incremental knowledge must ease the internationalisation process. Similarly, it fails to recognise that there may be a planning process for market entry or key decision makers who determine what strategic actions and opportunities to be explored. The model also fails to recognise that the knowledge required for market entry may be firm-specific and not market-specific (Andersson, 2003; Brennan and Garvey, 2009). Also, in a dynamic and changing world, the U model is considered to be too static (Axinn & Matthyssens, 2001). So, the U model may have its shortcomings but it is a good starting point to understanding the internationalisation process. Increasingly, both small and large firms have been able to use their networks as a conduit of internationalisation. Other attempts have been made to explain the internationalisation of firms which delves into the behavioural perspectives (Loane and Bell, 2006). Although Johanson and Valhne (1977) have elaborated the concepts of commitment and knowledge, they have not adequately explained the rapid internationalisation of 'born global' firms (especially for small firms) and how networks facilitate such internationalisation processes. The importance of networks in the internationalisation process has necessitated the development of the network theory.

The Network Theory

The network theory of internationalisation suggests that internationalisation depends on the set of network relationships. These relationships comprise of customers, suppliers, competitors and support agencies (Saarenketo et al., 2004). This means that the knowledge gained from an organisation's network influences the internationalisation process and facilitates market entry. The network theory is about how the business network relationships of a firm impact on the organisational learning (Johanson & Vahlne, 2003). Organisations often learn a lot from their networks, in other words, business networks are a set of interconnected relationships in which the exchange relation is between firms as collective actors (Johansson & Vahlne, 2003). The two words that are important in this definition are 'interconnected' and 'exchange', which suggests that firms do not exist in isolation but are part of networks that are industry, market, location or customer related. Fadahunsi et al. (2000) argue that links with customers are necessary to complete a sale. This sale may also involve value addition if the firm receives market information from the customer that goes beyond that necessary to complete an individual transaction. This invariably means that customers are a source of knowledge and customer information may be instrumental in the internationalisation of micro firms.

The knowledge gained from business and social networks can enhance personal experience in international business activities (Fadahunsi et al., 2000). For example, this knowledge can be gained through observing competitors, scanning the environment or interacting with other businesses (Johansson & Vahlne, 2003). The experiential knowledge gained from these interactions can influence a firm to begin the internationalisation process (Saarenketo et al., 2004). Business networks can also serve as bridges and/or gateways to foreign markets as in the case of supplier/customer relationships where a firm follows a supplier or customer abroad at their request (Johanson & Vahlne, 2003). Therefore, the internationalisation of micro firms, for example, can be generated as a result of interaction with foreign suppliers or customers. This means that this phenomenon and how it influences the internationalisation process is no longer open to only large firms.

Remarking on the role of actors in networks, Seppola (2002) observes that they affect how knowledge is acquired in organisations. He argues that individuals embody knowledge, especially tacit knowledge, and therefore he considers organisational learning as a socially interactive process in which all individuals in the firm are learning agents. He posits that organisational learning occurs not just through business relationships but via the collective learning that occurs due to the interaction between individuals. Arguably, individuals willingly share knowledge if the organisational settings encourage the formation of trust relationships. Although organisational learning has been argued as being instrumental to the success of small firms (Anderson & Skinner, 1999; Barnett &s Storey, 2001), not much literature has been generated to explain organisational learning in small and micro firms. The way knowledge is acquired and shared may be influenced by the size of the firm. Small firms may be more likely to take organisational learning for granted particularly when one individual or very few people undertake the majority of the work related tasks. This is why Cope (2003) argues that non-routine events characterise entrepreneurial, learning which involves much more than the gradual accumulation of more routinized and habitual learning.

Baum, Schwens, and Kabst (2013) indicate that networks are important if there are entry barriers such as unknown legal or cultural practices. They argue that when a new venture perceives these barriers to be high, international network contacts may be vitally important to expand international activities and successfully overcome such barriers. Baum et al. (2013) also argue that international network contacts may provide financial back-up in order to increase security against monetary pitfalls. Whilst networks form the basis upon which firms internationalise, this may take some time to develop. The nature of products and services a firm (whether small or large) would determine the extent to which they deal with international suppliers and customers. For some firms, it becomes necessary to deal with international clients from the onset. Such firms are globalised right from the start of their business and they also rely on networks considerably. A strong international business network contributes to what makes some firms ‘born globals’ (Oviatt & McDougall, 2005). The network approach has received some criticisms with regards to its poor predictive power (Loane & Bell, 2006). Whilst it offers new insights into the internationalisation of smaller firms, the cause and effect relationships can be unclear, as networks appear to overcome resource deficiencies rather than serve as the key drivers of internationalisation (Young, Bell, and Crick, 1999).

The 'Born Global' Theory

The interconnectedness of markets, converging consumer tastes, improved transport networks, and the ever expanding international information and communication technologies have all enabled businesses to increasingly go global. As a result, an increasing number of small firms are engaging in international activities and establishing themselves in foreign markets from the outset. These organisations do not follow the stage of development theory because of their unique capabilities (Oviatt & McDougall, 2005). These businesses are also referred to as International New Venture or 'Born Global'. International New Ventures are businesses which seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries right from its inception (Oviatt & McDougall, 2005; Crick, 2009). 'Born Global' firms are also defined by Ramussen, Madsen and Evangelistica (2002) as firms that view the world as their marketplace from the outset and see domestic markets as a support for their international business.

'Born Globals' seek superior international business performance from the application of knowledge-based resources at the early stages of their inception (Knight & Cavusgil, 2004). Rialp, Rialp, and Knight (2005) conceptualise 'Born Globals' as being small specialised firms that engage in international activities from the earliest days of their establishment. The terms 'Born Globals' and 'International New Ventures' are often used interchangeably since their definitions are similar and have rapid internationalisation as a common characteristic (Crick, 2009). 'Born Globals' do not follow the sequential path of internationalisation. In other words, their internationalisation strategy is not on the premise of knowledge accumulation. Born global firms are usually niche-oriented; their market choices are not based on cultural similarities alone, but on relationships and/or specialization of their products as well as their collaborative efforts (Madsen, Ramussen, & Servais, 2000). Combinations of factors also contribute to this rapid process. These are the entrepreneur, international competencies resulting from an international orientation and a hybrid organisational structure that promotes the maximum use of limited resources (Ramussan et al., 2001; Knight and Cavusgil, 2004). Micro businesses, inadvertently, also find themselves trapped in an economic system that makes it difficult to ignore the global market place and the challenges that they bring. Internationalisation is arguably more daunting to micro firms because of perceived resource constraints.

Barriers to Internationalisation

The process of internationalisation by firms according to the U model is as a result of lack of knowledge stemming from market entry barriers. The U model identifies the barriers as psychic distance. Psychic distance is defined as the factors that impede the flow of information between a country's market and a firm, making it difficult to understand foreign environments (Johanson & Vahlne, 2009). These factors include differences in language, culture, political system, industrial development, level of education, (Johanson & Weidersheim-Paul, 1975). All firms whether from the full spectrum of micro and large have to deal with these factors. Whilst larger firms may have the resources (finance, human capital, technology, etc.), micro firms may lack the requisite resources to cope with the challenges involved in the internationalisation process.

As advocated by the traditional theory, firms internationalise sequentially- they enter into neighbouring markets before exploring more distant ones. This process depicts psychic distance as a cultural dimension (Ellis, 2008). Consequently, firms consider markets that are culturally similar and then proceed into markets that are more culturally dissimilar. However, Sousa and Bradley (2006), propose that it is the individual's perception of the differences between home and foreign country that shapes the concept of psychic distance. They further suggest that psychic distance and cultural distance are different concepts. Thus, cultural distance is defined as 'the degree to which cultural values in one country is different from those in another country' (p. 52). Specifically, cultural distance assesses dissimilarities between national cultures of countries, not the individual's and their perceptions. Psychic distance, on the other hand, is the individual's perception of the differences between home and host countries, therefore, making it a very subjective interpretation (Sousa and Bradley, 2006). As a result, the two concepts do not influence individuals and organisational entities in the same way.

In examining how Canadian retail firms entered into the American market, O'Grady and Lane (1995) discovered that the owners of these Canadian firms held general assumptions about the cultural differences/similarities between US and Canada markets and adopted strategies and knowledge based on these assumptions. Consequently, some of the firms were forced to exit the market. Surprisingly, even when these differences were encountered, the failed Canadian firms did not change their initial perceptions about the market to reflect the reality of what they were experiencing and continued to make decisions based on faulty assumptions (O'Grady and Lane, 1995). Thus, market entry into a country with similar culture can still pose a problem because within the broader similarities of the market, exist subtle differences. And it is these differences that can determine the success or failure of a market entry strategy. That is why Deresky (2014), suggests that foreign firms need to be aware of possible subcultures when they enter a particular market. Such firms also need to know that the initial profiling of a particular culture should only be a starting point and not the main criteria in deciphering the existing culture within a region or sub-region. The propensity of micro businesses to understand the nuances of cultural differences could be limited by their level of exposure and experience to international markets.

Internationalisation of businesses does not depend on the dissimilarities or similarities of culture (Ojala & Tyrvainen, 2007) alone, but other business environmental issues can positively or negatively influence micro businesses when they venture into international operations. In analysing the market entry of SME's in the software industry, Ojala and Tyrvainen (2007) identified that these firms selected countries on the premise of not just cultural similarity but geographical location and market size. Even so, they note that the concept of geographic distance is somewhat complex in the software industry. A reason for this is that they can be distributed electronically making geographic distance less important. What is more, due to the specificity of the product and its operational costs, these firms choose markets with low operational costs. This suggests that the scope of internationalisation largely depends on the product or service that is being offered. Some products, such as technology products, transcend language and cultural barriers.

By exploring how five Hong Kong firms entered into foreign markets, Child et al. (2003) discovered that these firms did not follow the sequential path of internationalisation. Successful internationalisation was derived by the availability of an overseas Chinese community, a local partner and deploying a trusted employee to manage the established business. Child et al., (2003) posit that other factors in addition to cultural dimensions such as previous experience in that country, host government policy also influence market entry. Similarly, Kontinen and Ojala (2010) when investigating the internationalisation path of family owned Finnish firms into the French market, conclude that for these firms, market entry was sequential due to psychic distance. However, psychic distance was managed and overcome by recruiting capable employees who are equipped with cultural, language and business/industry knowledge. Whilst recruiting host country employees to smoothen the effects of cultural distance is affordable to medium to large firms, micro firms may not be financially well equipped to do so. Arguably, the cultural distance phenomenon can affect micro businesses more. In spite of these, micro businesses can also focus on products and services that transcend cultural barriers to limit the extent to which such influences would complicate their ability to compete in the global market place.

To an appreciable extent the traditional internationalisation theories that suggest gradual entry into foreign markets (Johanson & Vahlne, 1977) no longer describe the full extent of internationalisation, particularly when it comes to small firms. The existence of 'born global' firms (international new ventures) is now well accepted (Gabrielsson & Kirpalani, 2004; Rialp, et al., 2005). Indeed, born global firms that pursue opportunities outside the home country from inception have become a common feature (McDougall & Oviatt, 2005). Firms internationalise through their business networks by actively coordinating already existing links and positions in markets (Johanson & Mattsson, 1988). Even though the importance of networks in the process of internationalisation is now widely accepted, there is the growing notion that to internationalise rapidly firms need to go beyond existing networks to build new networks (Loane & Bell, 2006). It is important to stress that especially for micro firms networks are extremely important because of the fact that it allows small firms to overcome resource deficiencies they inherently lack when it comes to internationalisation (Young et al., 1999).

METHODOLOGY

Two internationalised micro businesses with origins from the UK are used for this study. Secondary company information and semi-structured interviews are used to elicit how and why these firms internationalised and the related challenges to internationalisation. In each identified micro business we targeted the owners of the business. We use the EU's definition to focus on firms with fewer than 10 employees who started operating in the UK from inception. Interviews were open ended and focused on, but not limited to, the origins of the business and the motivations and challenges of internationalisation. The interviews lasted for one and half hours with each company CEO. Company 'A' was founded in 2010 and is a liquid nitrogen ice-cream company based in the UK. It started by targeting music and food festivals to market to its consumers. The company's expansion both within the UK and overseas is through strategic partnerships with local (within host countries) franchises and licences. Its first international franchise occurred in August 2014 in Portugal. Company B was founded in 2002 and produces jewellery in the UK and focuses on producing pieces of jewellery that use substitutes for elephant ivory for their production. They source their inputs from South America and believe their business activities, inadvertently, is protecting the elephant population by producing ivory products from other substitute inputs. Their internationalisation from 2004 onwards focused more on selling their products to clients in other countries.

Data Analysis

The data analysis was two-fold: content analysis and explanation building technique (Yin, 2014; Ekanem, 2007). The features and categories associated with in the internationalisation strategies of micro businesses were listed. This is known as content analysis. In using explanation building technique, linkages were made and interpretations are drawn from each account from the CEOs.

This process of data analysis was inductive and on-going as modifications of the data was carried out at each level of the analysis (Fisher, 2004). This allowed what each respondent said to be noted down and coded during the process and interpretations made based on each owner-manager's account. Thus, this process helped in enhancing the reliability and validity of this study.

Findings

The emerging themes are summarised in Table 1 which revealed that the key issues related to the internationalisation of the micro firms studied were type of business (nature of product or service), the role of the owner-manager, role of the partner, the internationalisation process, growth strategy, and the reason for internationalisation. Company A had developed a unique ice-cream production machine. Consequently, all international franchises had to use their equipment. But company B had its competitive advantage drawn from their ability to use ivory to produce unique designs. It is also evident that because of the differences in their product/service provision, the roles of the owner-managers differed. The owner-manager of company A has a role change from an inventor to a franchise manager whose association with the firm is not as visible to consumers as the case may be for the owner manager B. This allowed company A to involve a partner whose sole contribution was additional finance to expand both domestic and international operations. Therefore, the internationalisation of company A was more rapid even though it started expanding first into Europe. Although company B is able to attract consumers across the world its internationalisation is less systematic. Arguably, company B's products transcend cultures more generally than company A, and this influences the internationalisation process. Company A is interested in exploiting its patented technology whilst increasing market size whilst owner manager of company B is keen to keep the company small and products unique.

Table 1. Firm characteristics and internationalisation

	Company A	**Company B**
Type of business	Ice cream production and retailing. Plus proprietary technology of production equipment and process.	Jewellery design and production. No claimable proprietary knowledge but serving a niche market and producing unique outputs
Role of the owner-manager	Initial investment (own) or, inventor (design and technology), production, management.	Initial investment (own), Face of company (customer service), design and production, management (accounting, web design etc.)
Role of partner	New partner's investment supported internationalisation	No partner sought. Entrepreneur reluctant to grow
Internationalisation process	Franchises and licenses to serve respective local markets. Currently in European markets. Franchisees or licensees are either approached by the firm or they approach the firm.	Direct supply of products to international retailers and users. Internationalisation goes beyond Europe with notable middle eastern and Japanese retailers. Clients are mainly attracted by attending international fairs
Growth strategy	Rapid and more aggressive	Slow and less aggressive
Reason for internationalisation	Exploiting the opportunities in the global market-place. Particularly, to be able to market its patented technology product as well as increasing market size.	Increasing client base. Product transcends cultures. The majority of jewelleries are not restricted to a given culture. Internationalising client base also increases the range of products and international appeal

Our findings suggest that the nature of business dictates the methods that micro firms use when they decide to internationalise. First of all, increased globalisation suggests that even though firms may not be 'born global' firms, by being located in a country open to international trade, the propensity to internationalise is high. Suppliers and consumers are international for both firms. Whilst the ice cream firm needed to expand within the UK for a while before going international the jewellery company only had one shop in the UK from where it pursued its internationalisation process. Both firms, however, started their internationalisation first into European Union (EU) countries before expanding to other non-EU countries.

The findings suggest that the ease of entry due to belonging to the same trading block facilitated the initial entry decision. Regulatory bottlenecks were few compared to going into non-EU countries whether through franchises or exports. The traditional theory that firms internationalise sequentially by entering into neighbouring markets, first because of culture and psychic distance (Ellis, 2008), holds true for micro firms the same way it does for medium and large firms, however, for smaller firms, the trading arrangements between countries and the type of product/service influence the speed of the process. The expansion of the ice cream firm was quicker and more aggressive because of the franchising and licencing approach adopted. This franchising approach gave Company A the ability to protect the intellectual property it had in the production equipment and the production technology but at the same time gave the opportunity to exploit available global economies of scale. Unlike larger firms, micro firms lack the financial resources to pursue foreign direct investment and therefore see franchising or licensing as the best way to exploit their technologies whilst at the same time increasing global market share. Even though Company A had capital injection as a result of forming a partnership the increased capital could not be enough to make foreign direct investment an ideal method of international growth. Company B on the other hand, in addition to lacking the financial resources, did not have a proprietary technology so market expansion was more through international sales outlets and clients. The jewellery business owner manager appears to not be interested in expanding too much or getting a partner on board. This suggests that in addition to the business expansion aspirations of business owners, partnerships may depend on the type of product/service and the proprietary technology both of which represent firm-specific assets. Although both firms had firm-specific assets they needed to deploy them differently and they needed to pursue an internationalisation process that suited their resources and strategies.

The technology for producing the ice cream in Company A has been patented by the firm and using franchising and licensing as the mode of internationalisation allowed the firm to keep the firm-specific asset (proprietary knowledge). The jewellery firm could not claim proprietary knowledge or technology and therefore could not pursue a franchising or licencing approach to international expansion since the inputs, tools and equipment's used were all available to competitors. The firm-specific advantage of Company B (jewellery maker) is the knowledge of the owner and therefore the only way firm-specific advantages could be kept within the firm was through exporting.

DISCUSSIONS

Our findings suggest that since most micro firms are in a global business environment, whether they like it or not, their operations are global. They have suppliers and customers beyond their borders. If firms that view the world as their marketplace from the outset and see domestic market as a support for their international business are considered 'born global' (Ramussen et al., 2002), then how do we classify firms who may not necessarily intend to go global but find that globalisation is no longer an option? Definitely, both firms discussed in this study had no choice with respect to suppliers. They did not seek all their international clients by chasing after them, but rather international clients sought after their products and services as well. This new aspect of internationalisation can be described as 'default internationalisation' which results from the internationalisation of business. So when an economy is structured in such a way that the available economic, institutional and information and communications technology infrastructure promote easy internationalisation the internationalisation occurs inevitably. Consequently, whether a firm chooses to operate in own country or not, it does not control, to a very large extent, the internationalisation of competitors, suppliers and customers. This seems to suggest that 'born global' could be an overstated terminology as most firms become 'default international'. Default internationalisation is a new perspective of with respect to micro firms who operate in environments that make them international, whether the aim to become international all not.

The psychic distance by Johanson and Vahlne (2009) also support the reason why our case study firms decided to enter into firms in EU first before venturing into other countries. In fact, the institutional and cultural variables supported smoother internationalisation. Just like large firms, micro firms also have firm-specific advantages which they seek to exploit when they pursue internationalisation. The only way the ice cream firm was going to reap the full benefits of its patented technology was to use franchises and licences. On the other hand, the jewellery firm had knowledge that was embedded in the person (owner) and therefore exporting was the only way the product could be kept as a unique firm-specific asset. Lam (1998) argued that firms differ in their capacity for nurturing the interaction between explicit and tacit knowledge with differing relative importance. The ice cream firm had knowledge that was more explicit which means it was easy to share that knowledge with franchisees. But when knowledge is tacit exports appear to be the best mode of internationalisation. This is particularly true for micro firms where too much of the company's knowledge is embedded in one or very few persons. In addition, having tacit firm-specific knowledge is inimical to the growth of micro firms. This is because the knowledge or technology continues to operate at the individual level and is often not easily converted into organisational knowledge to allow effective knowledge sharing. Therefore, micro firms that fail to deliberately find ways of sharing organisational knowledge could be limiting their growth potential.

CONCLUSION

Our findings suggest that the motivations of internationalisation of micro businesses are not significantly different from larger firms. Whilst financial restraints limit their scope of international expansion, they appreciate that international customers hold the key to the growth of their businesses. Suggestively, such firms are 'default global' even when their initial intentions were not necessarily to globalise. Consequently, micro firms that ignore global opportunities may inadvertently stifle growth and competitiveness. Predominantly, they target regional markets with similar psychic and cultural distances. They seek strategic and financial partnerships from locals and use franchises or licences depending on the nature of the firm-specific assets. Uniquely, we stress that international franchises and licences suit micro firms with a more explicit type of firm-specific knowledge than it does firms with a more tacit firm-specific knowledge. We also emphasise default internationalisation of micro firms depending on home country infrastructure and regional integration. This is an interesting dimension to the study of the internationalisation of micro firms. We also suggest that one of the reasons why some micro firms have stifled growth is that there is often no attempt to convert the individual knowledge of the owner of the business to organisational knowledge. Significantly, micro firms within the context of globalisation target multicultural customers and ‘multinational customers’ and often see internationalisation as their main opportunity for market expansion. The growth of micro firms is dependent on internationalisation.

The implications of our findings suggest that just like SMEs and indeed large firms, micro businesses are not insulated from international competition, even as the global market presents market opportunities for them. This means that, increasingly, they would need to develop the strategies and competencies required to compete in the global market-place. This is important not only for their potential growth but more significantly for their very survival as well. The international market and the multicultural and indeed the multinational customer orientations are the keys to international success for micro businesses. One important implication is that during the internationalisation process micro firms need to be careful about how best to protect their firm-specific knowledge. This is important for their survival and competitiveness. Whilst our study emphasises that the mode of internationalisation depends on the type of firm-specific knowledge, more research is needed to improve our understanding of how micro firms manage their firm-specific knowledge particularly during the process of internationalisation. There is also a very limited understanding of organisational learning at the micro level.

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KEY TERMS AND DEFINITIONS

Explicit (Codified) Knowledge: Is knowledge that can be specified, verbally communicated or presented in written documents, blueprints or software programmes. It can be communicated, stored, understood and shared in the absence of a 'knowing subject'. It is easy to communicate and transfer.

Internationalisation: The process of increasing involvement of enterprises in international markets. The process can be manifest in terms of how firms design products and/or services, interact with suppliers and customers and operate across national boundaries.

Micro Businesses: Firms in the smallest size category of firm structures, usually classified in terms of the number of employees and annual turnover. Definitions vary across countries and regions. The European Commission, for example, defines a micro-business as one which has fewer that ten employees and an annual turnover or balance sheet total of less than €2 million.

Organisational Learning: The learning process that involves the creation, retention and transfer of knowledge within an organisation in a collective way. An organization improves over time as it gains experience and the ability to create new knowledge as a result of the new experience.

Tacit (Implicit) Knowledge: Intuitive knowledge that cannot be easily codified and transferred. It cannot be communicated, understood, shared or used in the absence of the 'knowing subject'.